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Interconnected Storefronts Weave A Merchandising Web
Richard Karpinski. InternetWeek. Manhasset: Apr 6, 1998., Iss. 709; pg. PGS.14

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syndicated*

Abstract (Document Summary)

As Internet-based electronic commerce begins to flourish, the web of connections between companies, their suppliers, partners, and ultimately their customers is catapulting beyond today's mere hyperlinks. What is emerging is an environment where content, context, user profiles, and commerce offers can be exchanged seamlessly and securely between Web sites. The results can be powerful. Cisco is lining up top suppliers in a buy-side purchasing network that will save the networking vendor millions of dollars each year. Business-to-business syndicates can flow out of the enterprise. Northern Telecom has automated its sales channel with a Web-based catalog platform that lets each of its 400-plus distributors see a customized view of pricing and product availability. The Web system replaces phone calls, faxes, and limited EDI transactions. On the standards front, an acronym grouping of OBI, ICE, XML, and P3P is brewing to make syndicated commerce a much more palatable proposition.

Full Text (2347 words)

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There is a simple yet stunningly powerful concept that lies at the center of the World Wide Web: No site is an island; everything is interconnected.

But as Internet-based electronic commerce begins to truly flourish, the web of connections between companies, their suppliers, partners and ultimately their customers is catapulting beyond today's mere hyperlinks.

What's emerging-initially via sheer will and brute processing force but soon with the help of emerging data

exchange standards-is an environment where content, context, user profiles and commerce offers can be exchanged seamlessly and securely between Web sites.

We call it syndicated selling. But other catchphrases have emerged to describe this suddenly red-hot phenomenon as well: site-to-site commerce, cut-and-paste and embedded extranets. Take your pick.

Whatever you call it, the results can be powerful. Take [Cisco](#), for instance. Already lauded for its multibillion-dollar external Web site, it is lining up top suppliers in a buy-side purchasing network that will save the networking vendor millions of dollars each year.

Elsewhere, the U.S. government is exploring the use of Extensible Markup Language-based (XML) catalogs to streamline purchasing.

Business-to-business syndicates can flow out of the enterprise. Telecommunications giant Northern Telecom, for instance, has automated its sales channel with a Web-based catalog platform that lets each of its 400-plus distributors see a customized view of pricing and product availability. The Web system replaces phone calls, faxes and limited EDI transactions.

But syndicates play well on the public Internet, too. Online bookseller [Amazon.com](#) has helped partners set up more than 30,000 "branch" affinity sites that earn a small royalty on each transaction they drive back to the site.

Another trend, so-called syndicated content, lets Web sites set up managed relationships to seamlessly-and with pre-established business rules-distribute content and commerce out to select partners.

A good example is [InfoSpace Inc.](#), which has built an entire Web business around syndicating Web content and commerce.

For E-business managers, these commerce models require a new way of thinking about customer and partner relations, and a re-evaluation of some up-to-now basic tenets of doing business online.

For instance, it may not be as important to drive visitors to your Web site as it is to distribute your content and sales offers as broadly as possible.

For the IT manager, tight partnering with business staff, both inside and outside your company, is paramount to getting syndication policies and processes right.

As for the technology, the challenges in some ways remain the same: intense levels of Web-based transaction processing, data mining and process automation, and adopting industry standards. But now these challenges flow across enterprise lines. You can't control the technology platforms, data formats or business processes of your syndicate partners, but you'll have to work with them.

Behind the Firewall

The syndicate model is already making its mark in the business- to-business market as multivendor electronic catalogs that stand to give unprecedented power to corporate purchasing agents.

Such catalogs use the ubiquity of the Web to automate an area of corporate purchasing that today's mainly client/server-based enterprise resource planning (ERP) systems overlook: so-called nonessentials like office supplies or travel services, as well as one-off purchases that feed the supply chain but can't be planned in advance, such as replacement parts.

Corporate purchasing managers can construct these internal, multivendor corporate catalogs and build all purchasing policies- including negotiated rates, preferred vendor relationships and requisition approval processes- right into the software.

For purchasing managers, Web procurement can pay instant dividends. Pat Garah, purchasing manager at chip maker [Advanced Micro Devices Inc.](#), describes how consolidating buying information on a simple tacky mat-used

to pick lint off worker's shoes in its chip fabrication plants-cut annual costs on this item from \$13 million to \$11 million per year.

Users also can mine the deep and detailed purchasing and preference data of business-to-business catalogs to wrench even greater efficiencies.

"It's the fruition of the trends toward E-commerce and business process reengineering," says Bart Foster, executive vice president of sales and marketing at E-commerce vendor Connect Inc., which sells platforms for business-to-business catalogs. "There's real money laying on the table for purchasing organizations that can see clear to do these kinds of things."

For sellers, meanwhile, such catalogs represent huge opportunities, but also a real technical dilemma. Participating in a catalog with one customer is fine. But if suddenly a handful or more of your customers want to do Web-based procurement, there had better be some data formatting and exchange standards in place. If not, suddenly you're not running one intranet but five or 10 or more-each customized to meet the whims of a different partner.

Experts estimate that a full third of corporate spending goes toward products that don't immediately feed a company's core products or services. And these are purchases, traditionally paper-based, which are not only inefficient but encourage wild-card spending that simply ignores preferred vendor lists and prenegotiated discounts.

"Until intranets emerged, you couldn't really do this," says Dave Rome, vice president of marketing at Ariba Technologies Inc., a seller of Web-based procurement systems. "You had to deploy a client/server application, and that doesn't work for 100 percent of the enterprise. Web technology makes it possible to deploy this all the way to the desktop."

As with any Web market opportunity, a slew of vendors has emerged to try to suck it dry. Their technologies are new, and customers often few and far between. But vendors ranging from established Web players like IBM, Microsoft and Netscape Communications to relative veteran E-commerce vendors like Connect and Open Market Inc. are rushing onto the scene. So are newcomers, including Ariba, Elekom Corp., Elcom Systems Inc., Agentics Ltd., Intelysis, SpaceWorks Inc., Pandesic LLC and Commerce One Inc. Traditional ERP vendors such as SAP, PeopleSoft Inc. and Oracle are eyeing the market as a logical extension of their enterprise apps.

Tackling Standards

On the standards front, an acronym soup of OBI, ICE, XML and P3P is brewing to make syndicated commerce a much more palatable proposition. But gratefully, this is not a case of overhyped technologies and would-be standards in search of an application.

"Common formats really pay off {because they} allow you to aggregate catalogs on a virtual basis," says Larry Stewart, chief scientist at E-commerce developer Open Market. "Individual Internet-based vendors have to find ways to distinguish themselves above price and availability, just as they do in the real world today."

Helping to drive work forward is the Open Buying on the Internet (OBI) Consortium, which is defining a method for Internet business-to-business purchasing. OBI is based on current Internet standards including HTML for content display, HTTP over SSL for secure communications, X.509 digital certificates and SET for credit card transactions.

It also builds on key EDI standards, such as the X12 EDI 850 purchase order transaction set. The consortium wrapped up OBI 1.1 in late February.

Today, the consortium's 60-plus member list reads like an E-commerce Who's Who: corporate buyers including Apple Computer, BASF, Ford, General Electric, Lexmark International, Johnson & Johnson, National Semiconductor; suppliers such as Office Depot, W.W. Grainger, BOC Gases, Staples and Boise Cascade; and the big three credit card firms-American Express, Visa and MasterCard.

"We're going after nonstrategic sorts of purchases-low-hanging fruit where you have a lot of low-priced transactions that add up to a lot of money," says Kim Trudel, general manager of the consortium. "These transactions won't stop the production line if they don't get there today or tomorrow. They are low risk but high impact on the bottom line."

Scientific supplies vendor ①Fisher Scientific International Inc., for instance, is developing an OBI-enabled Web site to sell more than 245,000 products and services to customers in more than 145 countries, according to Steve Barberio, OBI committee member and a project leader for Fisher's site redesign.

The vendor already offers five Web product catalogs, driven by its internally built CornerStone Web-commerce platform. OBI standards will improve those legacy systems, but so far products from OBI vendors are too complex and costly, Barberio says.

"If we had no back-end business infrastructure, these packages would look great. But we'd end up turning off so many of their features, we'd have to ask, 'What exactly would we be buying?'" Barberio says. Instead, Fisher is looking at OBI tool kits and add-on modules that will let it add OBI capabilities "without reinventing the wheel," he says.

The OBI Consortium itself recognizes the cost and complexity issue. "The biggest impediment to progress has been the cost of solutions," says the consortium's Trudel. "Lots of vendors are building functionality into their products above and beyond what buyers are looking for. These are very sophisticated and feature-rich apps, but user needs may not be at that level yet."

Whether it is OBI or XML, or something altogether different that drives purchasing over the Web, remains to be seen. But that's the beauty of this opportunity. When vendors see markets emerging almost overnight and users sense a real opportunity to save money and re-engineer key business processes, work tends to proceed posthaste.

"One of the great fallacies of this market is that we're all sitting back waiting for some technology silver bullet to come and solve all these problems," says Connect's Foster. "People are now realizing this is going to come out in phases. Pilots are important. You need to get together with your key suppliers and key customers, and make this happen."

The power of the syndicate model is impacting the public Internet in big ways, too. While business-to-business applications are a bit more streamlined and focused, on the wider Web it's, not surprisingly, a bit more of a wild and woolly experience.

Indeed, as part of the constant search for winning Internet business models, companies are experimenting like crazy with a variety of schemes, including syndicated "super-distribution" content sites, comparative shopping applications, royalty-sharing affiliate networks and distributed, transaction-driven ad banners.

And they're getting noticed. In a much-referenced report earlier this year, ①Forrester Research dubbed the phenomenon "syndicated selling" and pegged it as a viable alternative to hit-and-miss ad banners for bringing buyers and sellers together on the Web, says analyst Bill Doyle.

"When Web sites can get an immediate ROI, rather than the 'what-ifs' of Internet advertising, then I could very easily see the shifting of significant amounts of money to these types of programs," Doyle says.

Also touting the syndicated Internet is Neil Weintraut, Internet analyst and founding partner of 21st Century Internet Venture Partners. Weintraut calls it "the next-generation business architecture of the Internet."

Breaking the ICE

It's a model that has so much momentum behind it that a group of vendors and content-oriented sites is trying to define a technology standard to help drive it. Information and Content and Exchange (ICE) includes Vignette, Firefly, JavaSoft, ①Microsoft and several content-oriented companies such as c|net, Preview Travel and ①Tribune Media Services.

The group is working to define an XML-based architecture for enabling server-to-server data exchange, including the buying, selling and sharing of content and user profiles between sites, says Brad Husick, vice president of business development at Vignette.

"ICE is focused on intelligent exchange of information based on business rules and trusted relationships," Husick says. "It's all well and good for data to be whizzing about the place, described in standard formats. But then, let's look at the way individuals, developers and business want to use this stuff."

Syndicated content is already a bread-and-butter business model for some of the Web's most popular sites: Internet search engines and directories. Such sites already deal in gobs of syndicated content. The latest twist is more commerce-related, as [iYahoo](#), Lycos and Excite all launch comparative shopping engines that let users enter a product category-say laptop computers-and watch the engine bring back and aggregate product data from a variety of sites scattered across the Web.

These shopping engines represent a technical challenge, however: the sites pull in product, pricing and transaction data from a variety of sites and a multitude of formats, and then massage it into a consistent user format for visitors.

Web merchants have traditionally resisted having products commoditized via such comparative engines. Now "every merchant has to make a decision about this," says Lil Mohan, director of product marketing at Jungle Inc., whose virtual database technology powers [iYahoo](#)'s comparative shopping engine. "Is being on [iYahoo](#) in a comparative environment more important than not being there at all?"

While shopping engines suck product data and commerce offers into a central site, Web affiliate networks distribute transactions as far and wide as possible. In such programs, Web merchants pay a small royalty to other sites that offer their products for sale. The technology to implement such programs is simple-specially tagged URLs and Web browser cookie technology help to track user sessions.

Leading-edge merchants are also integrating the networks back into accounting and payment systems to automate the entire process, says Tom Gerace, president of Be Free, which has built affiliate networks for [iBarnes & Noble](#) and other Web merchants.

CPM online advertising-based on cost per thousands, the traditional way impression-based ad rates are calculated-"is not an effective way to sell products," Gerace says. "Affiliate networks are a much more cost-effective way to market."

While upstart vendors like Be Free and [iLinkShare](#) focus exclusively on affiliate networks, mainstream commerce server vendors like Open Market, [iMicrosoft](#), Intershop and ViaWeb are building affiliate technology right into their product offerings.

"Whoever ends up owning people's buying habits will own them forever," says ViaWeb president Paul Graham.

Affiliate networks may put a crimp in Web advertising, but vendors including Narrative Communications, First Virtual and NetGravity are working on technology that lets advertisers conduct transactions directly within an ad banner. Retailer [iEddie Bauer](#) recently let customers choose and purchase clothing items within the banner.

It's anything but business as usual. Behind the firewall and on the public Internet, syndicate architectures hold the potential not only to streamline and energize E-commerce for companies, their partners and suppliers, but also to place more information and better buying options into the hands of customers. That's a business model with legs.

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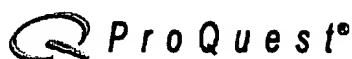
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①**FTD, Inc.** (Florists' Transworld Delivery) and Netscape Communications Corporation (NASDAQ: NCSP) announced today that they are teaming up to enable Internet users to order and purchase flowers and other gifts through the Netscape **Netcenter** online service. Live today, the co-branded storefront will offer the millions of visitors to the Netscape Web site and members of **Netcenter** access to FTD's leading selection of FTD arrangements, flowers, gourmet food items and gift-giving solutions.

Accessible through Netscape **Netcenter's** new **Marketplace**, FTD Flowers will feature an assortment of FTD-branded products including holiday and everyday arrangements. The site will also offer convenient service-oriented benefits such as recommended gift-giving solutions for the hard-to-buy for person. Also, with Valentine's Day just around the corner, FTD will offer members of **Netcenter** a variety of Valentine's Day ideas and guidance in finding just the right words to accompany special gifts. Under the agreement, FTD will provide merchandising support and fulfill floral orders through its international affiliated network of over 54,000 FTD florists.

Full Text (634 words)*Copyright M2 Communications Ltd. Feb 4, 1998***M2 PRESSWIRE-4 February 1998-NETSCAPE: Netscape & FTD announce online commerce deal & launch 'FTD Flowers' for Netscape Netcenter (C)1994-98 M2 COMMUNICATIONS LTD****-- Live today - in time for Valentine's Day - in Netcenter's marketplace**

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visitors to the Netscape Web site and members of **Netcenter** access to FTD's leading selection of FTD arrangements, flowers, gourmet food items and gift-giving solutions.

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"FTD is very excited about this opportunity with Netscape," said Bob Norton, president and CEO of FTD. "Along with Netscape being the leader in this industry, their aggressive marketing and business plans have impressed us and are exactly what FTD looks for when co-branding with other businesses. Netscape's **Netcenter** member base represents a very attractive sales channel for FTD, with characteristics that match those of typical Internet floral customers - individuals in need of convenient, time-saving shopping alternatives that make their lives easier. And with the combined efforts of professional FTD florists filling these orders, **Netcenter's** members will benefit greatly from this new partnership."

"We want to help busy professionals save time by offering the ability to shop for the most popular online commerce items through **Netcenter's marketplace**," said Jennifer Bailey, vice president of Netscape's Web site. "By including FTD Flowers, we are providing members access to FTD's easy online ordering, same day delivering and large selection of items in order to help our members save time on the Web."

In addition to flowers, Internet users visiting **Netcenter Marketplace** can shop for such items as software, books, music, **discount** products, travel services, gifts, office supplies and computers. Users can also take advantage of value-added member services such as **Netcenter's marketplace** guarantee, pre-filled check-out and order forms, hot deals and **marketplace** search.

Founded by a group of florists in 1910, FTD is the world's largest floral organization. Consumers can contact FTD by calling 1-800-SEND-FTD or via the Web at <http://www.ftd.com>. FTD offers customer 100 percent satisfaction guaranteed on all orders. The company links 21,000 florists throughout the United States and Canada and through its international affiliates links a total of more than 54,000 florists in 141 countries around the world.

Netscape Communications Corporation is a leading provider of open software for linking people and information over enterprise networks and the Internet. The company offers a full line of clients, servers, development tools, and commercial applications to create a complete platform for next-generation, live online applications. Traded on NASDAQ under the symbol "NSCP," Netscape Communications Corporation is based in Mountain View, California.

Additional information on Netscape Communications Corporation is available on the Internet at <http://home.netscape.com>, by sending email to info@netscape.com or by calling 650/937-2555 (corporations) or 650/937-3777 (individuals).

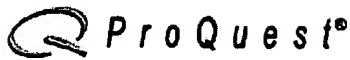
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Netscape Introduces Innovative Products and Services That Leverage Free Client and Vast Installed Base To Drive Sales

PR Newswire. New York: Jan 22, 1998. pg. 1

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Abstract (Document Summary)

MOUNTAIN VIEW, Calif., Jan. 22 /PRNewswire/ -- Netscape Communications Corporation (Nasdaq: NSCP) today launched several new products and services that leverage Netscape's new free pricing of Netscape(R) Communicator client software -- announced separately today -- and make it easy for enterprise and individual customers to adopt Netscape solutions. The new products and programs reinforce Netscape's strategy of leveraging market penetration of its popular client software, and the traffic to its busy Internet site to seed further distribution of Netscape client software and drive sales of Netscape software solutions in the home and business markets.

Netscape's new investment protection program for existing Netscape Communicator users recognizes the investment existing customers have made in Netscape client software. The program provides Netscape Communicator customers with the opportunity to purchase at special prices Netscape's enterprise software products and subscriptions including: Netscape Communicator Professional Edition, Netscape SuiteSpot server software products or Netscape SuiteSpot Hosting Edition. Netscape also announced it will lower the suggested retail prices of two of its popular retail client software products -- Netscape Communicator Internet Access Edition and Netscape Communicator Deluxe Edition. Netscape offers a substantial manufacturer's rebate on these products, and will also increase the rebate on its Netscape Publishing Suite product. Netscape is also lowering the price of Netscape Communicator Professional Edition for enterprise customers.

The new SuiteSpot server upgrades include a new version of Netscape SuiteSpot Standard Edition that includes Netscape Communicator Standard Edition client software and a new version of Netscape SuiteSpot Professional Edition that includes Netscape Communicator Professional Edition. These upgrades make it easy for enterprise customers using SuiteSpot to build Intranets and Extranets to broadly deploy Netscape Communicator within the enterprise or redistribute Netscape Communicator to their employees, customers and partners.

Full Text (1194 words)

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Industry: COMPUTER/ELECTRONICS; INTERNET MULTIMEDIA ONLINE

Free Client Seeds Market For New Investment Protection Program, Retail Products, SuiteSpot Upgrades, Subscriptions, Support Packages and Premium

Netcenter Services

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Unveiled today as part of an aggressive worldwide marketing campaign, the new products and services include a new investment protection program for users of Netscape Communicator, new reduced pricing on Netscape's retail and enterprise client products, new Netscape SuiteSpot server software upgrades featuring Netscape client software, enhanced subscription and support packages, and a new Premium Services program on the Netscape Netcenter online service.

"These new products and services will enable customers to leverage our free client software to gain universal access to rich content and applications on corporate Intranets, Extranets and the public Internet," said Mike Homer, executive vice president of worldwide sales and marketing at Netscape. "The new marketing campaign will accelerate adoption and drive new business growth by seeding the market for Netscape's products and services."

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Netscape's two new enhanced subscription programs are Netscape Subscriber Advantage for individuals and the Netscape Enterprise Subscription Program for enterprise customers. Offered through the Netscape Store online, Netscape Subscriber Advantage provides individuals with electronic notification of major upgrades to Netscape Communicator released within the subscription period; access to a password-protected Internet site for downloading new product releases; shipment of Netscape Communicator on CD-ROM with a handbook; and subscriber-only promotions and discounts. The Netscape Enterprise Subscription Program provides notification of major upgrades to products released within the subscription period; access to a protected Internet site where members can download new product releases; and physical shipment of major new product releases on CD-ROM with relevant product documentation.

Netscape's new support packages (<http://help.netscape.com/contact.html>) include a range of offerings for individual and enterprise customers. Individuals can purchase access to Netscape's telephone and online technical support during standard Netscape business hours in packages ranging from a "pay as you go" plan to a 5-pack. Enterprises can purchase Netscape's 24x7 telephone and online technical support in packages ranging from the Expert- Expert program which includes enterprise mission-critical IS and developer support to the Expert Alliance program which includes a dedicated Enterprise Support Account Manager on-site at the customer in addition to enterprise mission-critical IS and developer support. Netscape will continue to offer at no charge to users

automated telephone and online access to its searchable Netscape Knowledge Base of Frequently Asked Questions so users can help themselves.

Netscape's new Premium Services site on Netscape **Netcenter** adds valuable fee-based products and services to the wealth of information and services that Netscape **Netcenter** members can access at no charge. **Netcenter** Premium Services that members can purchase include:

Business Journal -- members can subscribe to a Premium level of **Netcenter's** one-stop business center which provides up-to-date, personalized information organized by industry, company and topic;

Marketplace -- members can electronically purchase merchandise such as computers, office supplies, gifts, travel, books, music, software, business productivity tools and "time saver" items on **Netcenter's** new commerce section;

Virtual Office -- members can purchase hosted Intranet services including email and hosted Web sites for individuals and small businesses;

netMarket -- **discount** shopping club offers more than 1 million brand- name products and services to members of netMarket who also get cash back on purchases, guaranteed low prices, and extended warranties;

Netscape Subscriber Advantage -- members can electronically purchase subscriptions to Netscape software products;

VeriSign Digital IDs -- members can electronically purchase the necessary VeriSign security software for sending and receiving encrypted email and online documents.

The Netscape investment protection program is available now to customers who have purchased Netscape Communicator Standard Edition and prices for new products begin at US\$10 for Netscape Communicator Professional Edition. Netscape Communicator Internet Access Edition is available now at retail for an estimated street price of US\$19.95 after a mail-in rebate. Netscape Communicator Deluxe Edition is available now at retail for an estimated street price of US\$39.95 after a mail-in rebate. Netscape Publishing Suite is available now at retail for an estimated street price of US\$49.95 after a mail-in rebate. Netscape, Communicator Professional Edition is available now for US\$29.

The upgrades to Netscape SuiteSpot Standard Edition and Professional Edition are expected to be available within 30 days. Pricing for Netscape SuiteSpot Standard Edition is US\$82 per user and pricing for Netscape SuiteSpot Professional Edition is US\$140 per user. The Netscape Subscriber Advantage program is available now for \$19.95 per user plus shipping and handling. The Netscape Enterprise Subscription program is available now with prices beginning at 40 percent off list prices. Membership in Netscape **Netcenter** is available now at no charge. Pricing for Premium Service items begins at \$US3.95.

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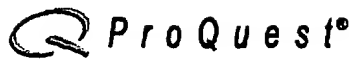
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Book soup: Electronic commerce and the future of publishing

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Abstract (Document Summary)

The success of [Amazon.com](#) is examined, along with other Internet communities applying other electronic commerce models to the tradition of book selling.

Full Text (7325 words)

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Two big things happened to [Amazon.com](#), reportedly the Internet's most successful bookseller, in October of 1997. It became the first recorded electronic commerce site to serve a million customers, and it signed an agreement to become the "exclusive" bookseller on Netscape Netcenter's new emmerce section, Marketplace.

Netscape Marketplace, a co-branded storefront, is Netscape's long-anticipated move into the growing emmerce business. With Marketplace, rather than just selling software and expertise, Netscape will directly participate in selling products online, either as a vendor, a franchiser, or a virtual landlord. Under an exclusive agreement, [Amazon.com](#) has an "above-the-fold" button on Netscape's popular NetSearch page. That provides even easier access to Amazon's 2.5 million-plus titles for the reported 67 percent of Windowsbased Web searchers who currently use Netscape. In addition, Amazon will be bookmarked in future releases of Netscape client software and receive prominent marketing and advertising within Netcenter. In return, Amazon will feature book titles and editorial content targeted to Netscape Netcenter's audience. This is another big step forward into the world of true emmerce for Amazon.

Just two years ago, [Amazon.com](#) founder and CEO Jeff Bezos was wrapping book orders in his garage and

delivering them to the post office in the family car. Now, he has customers in more than 160 countries and exclusive deals with nearly every major Internet site around - among them ⓐOL, Excite, the AltaVista Search Service, the Prodigy Shopping Network, and now Netscape. (Amazon has a deal with ⓐhoo! as well, but ⓐhoo!, the more experienced Internet entity in this deal, refused to make it exclusive.) Even given his amateur standing in the Internet world, Bezos' is an astonishing success story in the annals of corporate start-ups.

Amazon's press releases all stress this success and trumpet the same outstanding set of Internet features: a catalog of 2.5 million titles, "virtually unlimited" online shelf space (get it?), easy-to-use search and browse features, e-mail service, a personalized shopping service, Web-based credit card payments, direct shipping to customers, and an efficient search-and-retrieval interface. Most of the media coverage today slavishly echoes one or another of these points, and there can be no doubt that Amazon has emerged as an unqualified success in the emerging field of electronic commerce.

But exactly what kind of success is it? Is it successful because it was among the first companies to utilize the strengths of the Web well? Or because it started out in such a big way, with big ideas and a big budget to advertise? Is it Bezos' financial acumen? Or is it all those factors, combined with some major changes, even some deficiencies, in the traditional publishing industry? This column takes a look at all of that, as well as at some other Internet communities applying other electronic commerce models to the age-old trade of bookselling.

How to Make Stone Soup

A recent article in the prestigious Economist ["A River Runs Through It," May 10, 1997] calls ⓐmazon.com "the cyberspace equivalent of the fairytale about stone soup, in which two men set up a big pot full of water over a fire in the town square, drop in a stone, and start stirring. The first curious passer-by asks what it is, and is told it will be a delicious stone soup; all it lacks is a few carrots. The passer-by fetches some carrots and drops them in. Other passers-by add potatoes, onions and so on until the soup really is delicious and is served to all. Amazon has set up the pot and dropped in the stone; the Internet's townsfolk are contributing most of what makes it perfect."

ⓐmazon.com is certainly the most visible book-buying service on the Web, thanks to its many "exclusive" bookselling agreements. But its claim to be the "Earth's Biggest Bookstore" is questionable. They've even been taken to court over it - by their fiercest competitor, ⓐBarnes and Noble. Strictly speaking, ⓐmazon.com isn't a bookstore at all, but an online access and ordering system with a huge backlist and customer service and delivery arms. But the arguments that rage in the press and the listservs over whether ⓐmazon.com is the biggest or simply the most visible bookseller are not nearly as important as the real question: Is ⓐmazon.com a profitable, viable electronic commerce venture, and therefore a good model for others interested in entering the field?

The answer to the question "Is it profitable?" is a resounding "NO." As of this writing, gross revenues had climbed dramatically, to \$27.9 million in the second quarter of 1997; but in the first quarter of 1997, Amazon had reported revenues of \$16 million, a little over its revenues of \$15.7 million for all of 1996 - and almost three times the figure for its nearest online competitor. The second quarter figures, while impressive, actually represent not only a slowing in growth, but a financial loss as well.

Profits have proved elusive from the start. After losing \$30,000 (2 cents a share) in 1995 during its first year in business, Amazon lost \$5.8 million (26 cents a share) in 1996 in spite of substantial increases in sales. And Amazon's cost of sales rose right along with revenues. In the second quarter of 1997, cost of sales amounted to 81.3 percent of total revenues, and operating expenses climbed to \$12.3 million. Even though there was some reduction in product development and administrative expenses, Amazon's second quarter net loss in 1997 more than doubled, to \$6.7 million.

Furthermore, it's hard to say when Amazon will become profitable. It continues to discount prices, even more deeply as its ongoing battle intensifies with publishing giant ⓐBarnes & Noble and their bookselling Web site, ⓐBarnes and noble.com (the "World's Largest Online Bookseller," according to that home page). Both face some entrenched competition from Books.com (also known as Bookstacks Unlimited), which has run a Web site since 1992, as well as from a number of traditional bookstores that have begun to utilize the Web much as Amazon and ⓐBarnes & Noble do - as an Internet finding and ordering mechanism.

Most traditional bookstores have access to the same major book distributors. The largest of them, Ingram Book Co., has its warehouses just outside of Seattle, reportedly Bezos' reason for headquartering Amazon there. Most traditionals also offer books at below publisher's list prices, though not always as low as Amazon's prices. Many

also offer special association discounts, direct shipping, and personalized search services. And many of them now do it on the Web - you can check out over 100 bookstore home pages at <http://www.100hot.com/books>.

As Ken MacQueen points out in one of the funniest pieces of reporting around on accessing things online ["Click, click, tap, tap ..."], Amazon.com is not so much a bookstore as it is a very big list and a slippery slope for the weak-willed" [The Ottawa Citizen, July 6, 1997]. Rather, what has actually happened is that Jeff Bezos has made millions from a company that is "unencumbered by the need to pay local business taxes, hire local people, or even to build a real store." The company may not be profitable yet, but Bezos and his partners have already beaten the odds, making a very good living in two years in what has traditionally been a "getrich-slow" industry.

None of this should be construed as an ad hominem attack on Amazon. Bezos and his investors are extremely brave pioneers in murky and uncharted territory. They have taken existing technologies and existing commercial processes and applied them to an emerging market. In doing so, they're paving the way for others. However, some new technologies, some new models, and some new processes have become available that may represent a better choice for future emmerce. I don't say that Amazon should have been using these all along - that would be like suggesting Lewis and Clark would have finished their mission sooner if they'd used a motorboat. My point is simply this: Judging success in the brave new world of electronic commerce is neither simple nor easy. The key to doing it well is to understand both the old economic models of an industry, to ferret out important differences within emerging models, and to accept the reality of the many "unintended consequences" technological changes bring about.



①Amazon.com main screen.

Even though MacQueen was being cynical about Amazon in the quote above, he put his finger on much of what distinguishes electronic commerce from traditional commerce. In addition to enjoying the kinds of overhead savings MacQueen lists, Amazon epitomizes several other hallmarks of successful emmerce entrepreneurship as well. Amazon, in fact, epitomizes what has become an all-too-familiar Internet emmerce entity - the highly unprofitable success story.

The answer to the question "Is ①Amazon.com a viable electronic commercial venture?" is a resounding "YES." It is, in fact, a model, a paradigm for other products in other industries for anything, in fact, that requires a big catalog and a lot of information, or a lot of advice on how to use it. But it is a model that's rapidly changing, as new technologies bring true electronic commerce closer to realization.

As of this writing, when or if Amazon will take the final plunge into real electronic commerce and begin accepting some form of e-cash or digital dollars, instead of just credit card payments and checks in the mail, no one at Amazon will say. According to Kay Dangaard, Director of Media Relations, as a publicly-traded company Amazon can't discuss any such future plans regarding business strategy, except in their annual and quarterly reports, where they seem to studiously avoid doing anything of the kind. (Check those regulator-required reports out for yourself at <http://www.sec.gov/edgarhp.htm>. Search "amazon.")

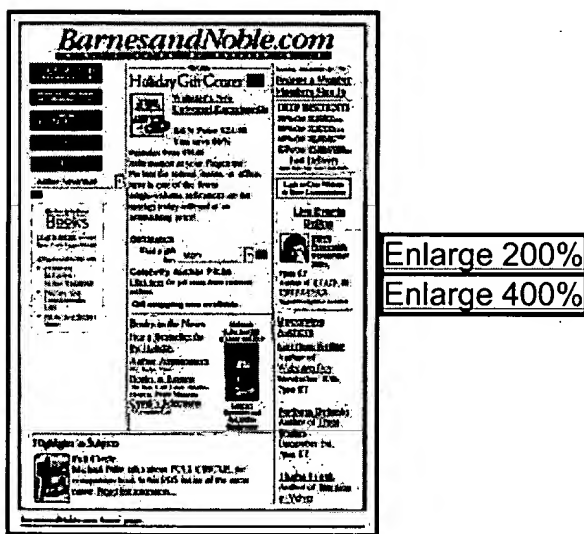
A good deal of what makes ①Amazon.com a good model for emmerce enterprise is that it not only offers information about the products it sells, it gets other people -- people Amazon doesn't pay - to do most of the work. Authors submit to e-mail interviews (often done by "robot interviewers"); readers offer their own reviews, opinions, and comments; reviews arrive from other media; books are excerpted; and links are included to other sites of interest (though not to any other bookselling sites that I could find!).

The key to understanding Amazon as an electronic commerce paradigm lies in realizing that all the customer feedback this interactivity generates itself can become a product, a product directly or indirectly salable, and certainly one very useful internally. Customer feedback feeds into a database of customer preferences and opinions, tied to e-mail or postal addresses distinguishable by ZIP code, state, city, or area code, and also tied to buying patterns and viewing habits that Amazon collects and analyzes through its "collaborative filtering" technology. (Net Perceptions' GroupLens software.)

Now, if you just filled out a form for, or bought a book from, ①Amazon.com, don't start worrying about invasion of privacy, or getting unsolicited junk mail or sales calls in the middle of dinner. GroupLens is, at its best, light years away from selling mailing lists. It can, however, provide product/consumer buying information on a scale that no one - certainly no publisher or bookstore - has ever been able to acquire. This acquisition of key market information goes far beyond traditional demographics. GroupLens doesn't care a fig about who you are. (Neither, really, does Amazon, no matter that it greets you by name whenever you sign on.) They only want to know generic information about you - your sex, for instance, or your education. They want your general neighborhood, as opposed to your address; your area code, not necessarily your telephone number. They will take as much or as little as they can get and turn it into valuable marketing information for Amazon, and, to some extent, for the publishers it buys from. The acquisition, management, application - and someday, no doubt, the sale - of this kind of consumer data is fast becoming the second hallmark of a successful emmerce operation.

Jeff Bezos, a former financial analyst, reportedly knew nothing about the book trade when he dreamed up ①Amazon.com. He decided to sell books because existing margins and distribution patterns seemed most favorable to converting to an electronic commerce model. In addition, he either had, or has developed, a remarkable grasp of the interdependent nature of the Internet and what it can do for commerce, a grasp he recently revealed when he said of Amazon, "Ultimately, we're an information broker. On the left side we have lots of products, on the right side we have lots of customers. We're in the middle making the connections. The consequence is that we have two sets of customers: consumers looking for books and publishers looking for consumers. Readers find books or books find readers."

And, of course, the more books readers find and order from Amazon, the more reviews they post, the more they respond to things on the Amazon Web site (by clicking on them, or viewing them, or looking at one thing longer than at another), the more Amazon knows about its customers. The more it knows about them, the better service it can offer them (at least theoretically) and the more often they'll come back to Amazon for books.



BarnesandNoble.com home page

In addition, of course, the more Amazon knows about its customers, the bigger and more valuable that database of consumer information grows. So the same thing that makes Amazon so interesting to the Internet community - all that interactivity - is also exactly what makes it a model of a successful Web enterprise, at least at this point in the Web's development.

15,000 Carrots, Potatoes and Onions

So just who is adding flavor to Amazon's stone soup? The majority of the folks in the sous-chef hats are what Amazon calls Associates. Associates are Web sites that register with Amazon, put a special link to Amazon on their Web page or in their electronic catalogs, and, for a small fee, deliver customers directly to Amazon's door. Many of these Associates represent a different economic model for bookselling on the Web.

Amazon started signing up Associates in July of 1996 and reportedly now has affiliations with 15,000 sites, to whom it currently pays referral fees of from 5 to 15 per cent on 1.5 million of its catalog titles. In October of 1997, Amazon also announced its "Premium Associates" program, which offers a referral fee of 7.5 per cent to 22.5 per cent through links from the top 500 Internet sites, as rated by Media Metrix.

According to the instructions Amazon posts for potential plain-vanilla Associates, "You Design the Bookstore. You choose what to feature from more than 2.5 million titles in our catalog." [Note that you can feature any book in Amazon's catalog, but you only receive referral fees for roughly half of those titles. But I digress.] "You write your own book reviews. We Do All the Work. We take the orders on our Web site using our proven software and secure servers. We supply, package, and ship the books. We bill the customer. We handle all customer service. We send you detailed weekly activity reports. We pay you a percentage of sales." What it doesn't tell you, unless you read the fine print, is that the commission is only on sales made through that initial clickthrough from the Associate's site. Any additional purchases made by the customer do not qualify for the referral fee. In fact, the Agreement explicitly states that "Customers who buy books through this Program will be deemed to be customers of Amazon.com." Nor does it tell you that you can't set the price for the books sold in "your" bookstore. Amazon reserves the right, in the Agreement, to make all pricing decisions.

However, with the caveats mentioned above in mind, it's clear that, given the strengths of the technology involved and the simplicity of the program, it usually works pretty much as stated above. It's easy to sign up as an Associate. It can provide an additional revenue stream to organizations that deal in readily-available and mass appeal information. And it has a lot of promotional value.

In at least one way, such a program represents a godsend for professional associations in esoteric fields, not so much because it generates money for them - almost no one I spoke with in the Associates program claimed to be collecting vast sums of money regularly from book referral fees - but because it makes information about hard to find books in their fields accessible anytime, anywhere. But that isn't some great customer service Amazon deliberately planned and can take credit for. It's just one virtue of being a Web-based company.

The caveat here is that using a Webbased service with a giant catalog doesn't automatically turn hard-to-find books into easier-to-find books. Out-of-print is out-of-print, on or off the Web.

Many Associates in highly specialized professions to whom I spoke mentioned that they got almost as many "Sorry, the book you ordered is unavailable" messages from Amazon as they got orders filled. And, right in the text of the operating agreement for Associates, Amazon states, "Sales of books listed in our catalog or in search results as 'out of print' or 'hard to find' currently are not eligible for referral fees."

The National Association of Science Writers: One Carrot in the Pot One Associate is the National Association of Science Writers, (NASW) which in many ways typifies the kind of professional organization that can take advantage of Amazon's program. NASW offers an excellent model for any professional group with an established Web site, a dedicated literature, and a requirement to publish.

NASW has had a Web site of some kind since early 1995. Their new "official" Web site is sponsored by the American Association for the Advancement of Science, headquartered in Washington, D.C., but the EurekAlert.org site, which hosts NASW, lives on the Stanford University campus computer system. The NASW Web page went up in January of 1996, and in January of 1997, close to its first birthday, NASW signed the standard Amazon.com Associates contract which anyone can download from the Amazon site - and began delivering their member's eyes - and pocketbooks - to Amazon.

In exchange, NASW members have access to Amazon's ordering system, so the Association can provide access and information about members' publications, while eliminating the administrative problems of finding, marketing, and selling those books.

Once Amazon had accepted NASW's Associate application, they sent Robert Finn, the NASW Cybrarian, a special URL, which the NASW embeds in each of the links to Amazon that it puts inside its book descriptions on the

Science Bookstore page. The link identifies, counts, and processes those hits on the Amazon site that come from the NASW site, hits commonly referred to as "clickthroughs." Weekly, Finn receives a report from Amazon detailing the number of clickthroughs from his site, as well as the number of sales they generate. Quarterly, Amazon sends a check for any referral fees that accumulate.

Finn could not specify how much NASW has collected in referral fees, but he did say that the Bookstore does not generate a lot of cash. NASW, however, isn't bothered by that. Their purpose in going to the Web was not really to make money, but to expand their market reach, and to provide some convenience for their members. According to Finn, the science sections in most popular bookstores are extremely limited. Finn's favorite example is the science writer's mother who can't find a single copy of her genius child's text for her coffeetable. The [Amazon.com](#) connection increases the chance that she will find at least a reference in the bookstore - that is, she'll find the volume in Amazon's catalog and be given a chance to order it. But, as pointed out earlier, that doesn't guarantee she'll ever actually get the book on her coffeetable.

The Science Bookstore page arrangement includes not only the expected bibliographic information about the book, but a two- or three-sentence description as well, initially written by the author and edited by NASW, to act as a magnet to draw people using major Internet search engines to NASW books on the subjects that interest them. A secondary benefit to both NASW members and to editors, researchers, and reporters is the ability to locate published experts in any number of scientific fields easily by searching the Science Bookstore's site.

According to Finn, and to information posted on the Web site, Amazon sells most books NASW recommends at a 10 percent discount from the publisher's price. From what I could tell, that's pretty common for books offered from highly specialized sites like this one. ✕

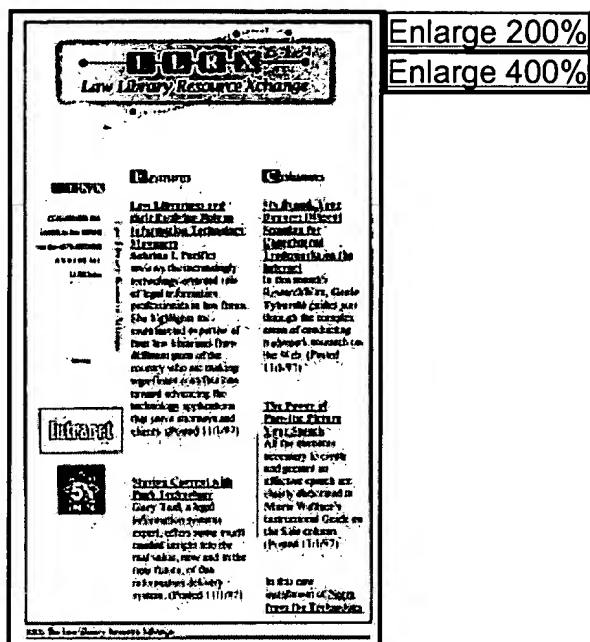
If you only buy one book (your genius child's latest publication for your coffeetable, for example), ordering science books through the NASW Web site offers an interesting advantage. To order any book, you just click on the title, and then, if the book is available in both formats, you can click on either "hardcover" or "paperback." It isn't until that point that the system takes you to [Amazon.com](#)'s site, where you can put your selection in a shopping basket, hit the "Back" button on your browser to return to the NASW Science Bookstore and make more selections, or else continue straight to "checkout" at Amazon by clicking "Buy Items Now."

The advantage to single-book buyers is this: NASW tells you before you buy (that is, before you get to Amazon) whether the book is available in both hard- and softcover, and allows you to select which you prefer as you shop. Amazon allows you to select hard- or softbound as well, but only if you use the shopping cart and look for more items. If you choose their new "One Click" option to buy immediately, the system appears to always default to the more expensive hardback edition, even when a paperback edition is available. For a company that keeps promising more and more personalized service, that's an odd choice. Their sophisticated consumer preference technology should easily allow each customer to decide what the default should be for themselves, whenever there is a choice available.

[The same difficulty occurs if you use Amazon's lists of award-winning books. If you click on a title in a list of award winners, they default to the standard hardback for the 1-Click option. If you click on the award-winning author's name, however, you get a bibliography of the author's work that may display paperback editions, large-print editions, audio cassettes, etc., of the winning title. Caveat emptor internetus.]

NASW members who wish to have their books listed in the Science Bookstore must first go to [Amazon.com](#) and ensure that the book is available there. Only then do they send an e-mail to the NASW Cybrarian with the book's ISBN number (or numbers if they find hardcover and paperback editions), a full bibliographic citation, the author's name, and the two- or three-sentence description mentioned above.

NASW's experience suggests two other important points for professional organizations interested in this model. Membership in NASW provides several other Web-based benefits, including two megabytes of free space for personal home pages that they provide their members at the site. Another is that dues-paying members also get permanent e-mail aliases so they don't have to worry about changing Internet providers. But the most important benefit for the purpose of this article, obviously, is that members have an opportunity to sell their writings - as long as they're already published books through the Science Bookstore on the Web site [<http://nasw.org/bookstor.htm>]. In short, NASW, through its Web site, delivers a target market of book buyers to Amazon's ordering service.



LLRX: The Low Library Resource Xchange

When looking at NASW as a model for electronic bookselling, remember the things that clearly distinguish their site from [Amazon.com](#)'s: (1) it is a site designed specifically for "book people," somewhat distinguishable from "book buyers"; the National Association of Science Writers' members are, obviously, mostly writers, not just readers; (2) it has a "full-time" Cybrarian in Mr. Finn, so the site stays current, accurate, and usable; (3) it has a non-profit sponsor that provides the computer space, a great deal of hardware and software, and the expertise and experience to use the technology well; (4) it actually serves a dual purpose for its target audience, allowing members to sell their own works, as well as to buy new works in their fields.

Sites like NASW provide a look at the Associates program itself, separate from Amazon, as one model for bookselling on the Web. But whether or not it represents a successful model, only time can tell. Without a study over time of actual number of sales and actual payments for referrals, it's difficult to see any pattern to what an individual or an association might save when buying, or when selling, books this way. One impression I did get from a number of Associates is that the more esoteric the book, the lower the referral fee from Amazon; but again, there's no reliable way to test that out. It is, however, an impression strong enough to suggest that anyone interested in extremely esoteric or arcane publications, and in using Amazon's Associates program to find and obtain them for financial gain, should be prepared for disappointment.

A Different Brand of Soup

Amazon isn't alone in offering this partnership model. Barnesandnoble.com offers what they call an Affiliates program. It works on a smaller scale, and differs in some key ways from Amazon's program. As of this writing, [Barnes & Noble](#) had partnered with about 40 sites on the Web, offering publishers up to 7 percent of sales generated from their sites. The site list includes many well-known consumer names, like the [New York Times](#), [A&E](#), [BellSouth](#), National Geographic, [CBS](#), KnightRidder, USA Today, Wired, and the Los Angeles Times. These exclusive deals prohibit the sites from dealing with other online booksellers.

[Barnes & Noble](#) affiliates develop their own site-specific marketing programs for books on select topics, and, like Amazon's Associates, link to the B&N site with one big difference: Affiliates receive commissions on all sales generated through their links.

[Barnes & Noble](#) won't discuss the exact percentage of the commissions, but says they are based on the level of sales generated by a site. A source at one of the Affiliates did say that the [Barnes & Noble](#) commission falls in the 10 percent range, while [Amazon.com](#) offers Associates 15 percent on some titles and 5 percent on the rest, with somewhat higher commissions to its Premier Associates.

Thanks, Mr. Bezos,

But We'll Make Our Own Soup

One hazard Amazon faces in the future is from organizations that may decide to publish directly on the Web, bypassing all traditional print publishing steps, including Amazon's or any other bookseller's distribution function. A number of scholarly and academic presses serving the esoteric markets which Amazon's Associates program partially targets have already ventured into the electronic book publishing business, and they like it a lot. Not long ago, the National Academy Press (NAP), the publishing arm of the National Academy of Sciences since 1863, got the full text of 1,700 of its current titles up on the Internet for people to read for free. NAP publishes around 200 books per year, primarily policy reports by scholars in areas like science, technology, and health. They made this wealth of current and archival information available free of charge to anyone on the Internet - and the next year their book sales increased 17 percent.

That just confirms the view of NAP's acting director, Barbara Kline Pope, who thinks the Internet should be viewed like a "real" bookstore, where people stand or sit in the aisles and peruse whatever books catch their eye until they find the one, or ones, they want to buy - not exactly the Amazon model.

A recently released report indicated that NAP is working to put up 5,000 outof-print titles (now that will really help Robert Finn's genius' mother!) and is also experimenting with an innovative "distributive printing" model, which utilizes the Internet in yet another fashion - it allows people to go to their local printshop and pick up a hardcopy of an electronic book they ordered from the NAP site. As of this writing, no information was available about the success of the plan, but you can count on Searcher to stay on top of developments.

A number of small publishers, nonprofit organizations, and university presses have already taken a page from NAP's book, so to speak, and gone straight to Web publishing. In light of the potential payoff, the cost for small presses - which have faced continuing increases in operating costs and continuing erosion of their market by megapublishers for several years - is not high. According to one report, it takes between \$250,000 and \$400,000 per year, depending on the number of books involved. Copyright issues can be negotiated with individual authors, market reach is extended, books are given much more exposure, and alternative pricing plans can be tried and modified as needed. The annual costs of maintaining the Web site replace, to some extent, current publishing, marketing, and advertising expenses and may actually be lower than traditional administrative costs, due in part to the same economies of scale that Amazon enjoys.

Direct-to-Web is one possible new model of what is otherwise called "ondemand publishing. Simon & Schuster, another big publisher, has become a forerunner in the move toward ondemand printing of books and other materials, an avenue they began exploring in conjunction with Xerox in 1992. That year, Simon & Schuster established their Demand Production Center, which uses Xerox' DocuTech ondemand print system and serves as an in-house printing partner for Simon & Schuster's various publishing arms. By November 1997, the Center reportedly produced more than 125,000 books per month, with capacity expected to increase by 18 percent when faster DocuTech systems go online this year. Based on their experience with ondemand publishing at the Center, Simon & Schuster recently released a joint report with Xerox that details how a publisher that releases 20 to 50 new titles a year, has a backlist of 100 titles, and revenues in the \$15 million range can show a 60 percent improvement on profit with the use of short-run digital printing.

What's more, Simon & Schuster itself has more than 9,000 books stored digitally and ready for on-demand printing. Like the National Academy Press, Simon & Schuster is also exploring the possibility of non-print delivery of archived digital files for printing at local sites (either in-house or third-party) around the world, which would eliminate shipping costs as well. Just think what could be saved if they went direct to the Web with even some of those books! Or what might happen if the reader could "demand" one of those books through Amazon or one of its Associates?

Johns Hopkins University Press runs another Web-direct project, which has put 40 journals and two reference books online, charging a subscription fee for access. Another slightly different approach comes from McGraw-Hill's professional book group, which put Beta Books up on their corporate site, where online galleys of upcoming computer books as posted and where readers can submit suggestions for editorial changes and corrections. Once the book is actually published, however, it comes down off the Web site.

These are all possible Web-based book publishing or bookselling models, and each displays some of

①Amazon.com's features. Some add a different ingredient to the soup, some leave ingredients out. All present some viable and interesting possibilities for changing the way we publish, distribute, and access information in books, but none of them embodies a completely electronic approach to bookselling as a legitimate emmerce enterprise. For that, we have to turn to *bylines*, a small, but very interesting site, started by twotime Pulitzer-Prize-winning journalist, Jon Franklin.

Delicious Home-made Soup and It's Really Cheap!

Jon Franklin and his wife Lynn, the founders of *bylines*, are not newcomers to the Web. For three years they've moderated and edited, respectively, "WriterL, a membership-only daily conversation among about 300 mostly professional nonfiction writers." A third founder, George Rodgers, was projects editor at the Baltimore Evening Sun when Franklin worked there.

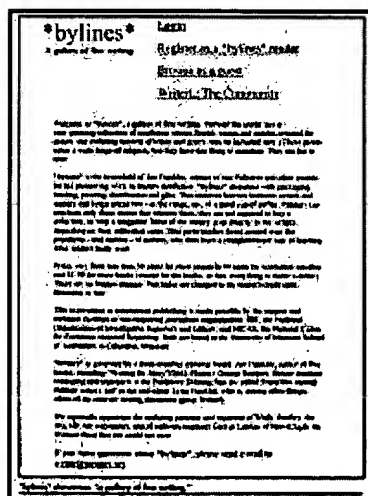
Franklin is no stranger to innovation, either. In 1979, while at the Baltimore Evening Sun, he won his first Pulitzer Prize for feature writing. He won his second Pulitzer in 1985 - the first time the prize was awarded for explanatory journalism, articles that broke with traditional newspaper style by using dramatic techniques from fiction to report on what was happening, in this case, in experimental brain surgery and neuroscience.

Now Franklin has come up with *bylines* [<http://www.bylines.org>], a pay-as-you-read Web site designed to sell his four acclaimed, but out-of-print, medical science books, his wife's indepth investigative pieces, and other "good writing" directly to readers. Online since late August of 1997, *bylines* offers readers "a gallery of fine writing" - including original work by the Franklins and a variety of other writers - and only available when charged to the reader's credit card.

This is not as self-serving as it seems. Franklin is a respected writing teacher and author, but his books, classified by the publishing industry as "midlist," aren't being reissued - or, in some cases, even printed - by the industry. "New York," says Franklin, "is no longer backing midlevel books, [so] a lot of quality books are not given a chance."

Enter *bylines*. Starting with 13 offerings, which covered the gamut from nonfiction short "stories" for 29 cents all the way to full-length books for \$2.50, *bylines* also includes essays on writing literary nonfiction, and plans to add poetry and fiction in the near future. When it debuted, you could download its whole library for approximately \$18.00.

Franklin has picked a very specific audience -- writers, and the serious (as opposed to blockbuster) reading public, an audience once served by contemplative magazines like The Saturday Evening Post and Collier's that have since ceased to publish. The site itself is designed strictly for a reading audience - almost entirely text-based, no timeconsuming graphics to code or load. Designing the enterprise for a writing audience, Franklin competes with other publishers for the best in non-fiction writing by giving authors a 60 percent royalty. A book sold on *bylines* for \$2.50, Franklin claims, will earn the author roughly the same amount of cash as royalties on a hardback edition, but it costs the reader one-tenth the price.



Enlarge 200%
Enlarge 400%

bylines showcases "a gallery of fine writing."

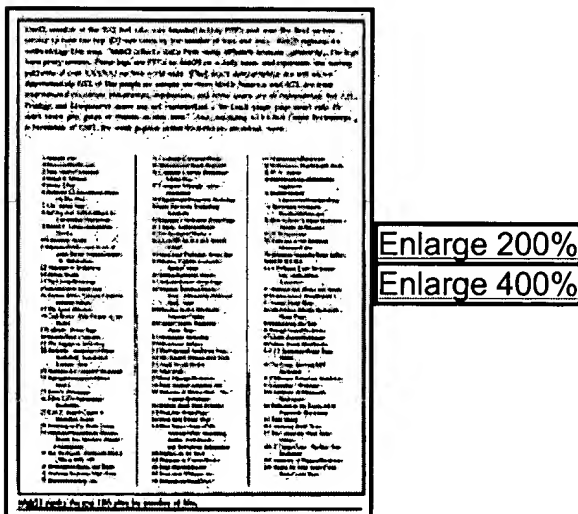
"What we're trying to do is tie the writer with the reader directly with an economic exchange," Franklin has said. "The idea is to cut out publishers, printers, advertisers, and glitz. We believe significant content coupled with insignificant prices should yield very significant audiences."

With regard to Web-based commerce, there are several significant things about *bylines*," probably the most important being that it operates on the principle of microtransactions. According to information posted on the site, "Readers use credit cards to pay a small amount for each piece they want to download. Those sums are tracked and the money is distributed to authors, based on individual sales. Thus, each purchase goes to underwrite the work of an individual artist."

Web surfers become *bylines* readers by filling out a form and providing a credit card number. Interestingly enough, according to George Landau, President of NewsEngin Inc. [<http://www.NewsEngin.com>], provider of the server technology on which the site runs, the micropayment system is "nothing fancy. We're just totaling up people's purchases and running them against a credit card number they provide. The issue was in providing a secure means for users to submit those credit card numbers over the Internet, so that there's no chance that a hacker might sniff out those numbers. This is done with a now-common technology called Secure Sockets Layer, or SSL. It's a means by which a Web server and a Web browser can exchange data in encrypted form, so that only the two of them can decrypt it. SSL is supported by Versions 3 and later of the popular browsers from Netscape and Microsoft."

bylines bought a digital SSL certificate from a company called VeriSign, Landau continues, and VeriSign "made us jump through some hoops to prove that we are who we say we are. Your browser comes preconfigured to accept any SSL certificates from sites certified by VeriSign. Your browser then uses information in our SSL certificate to encrypt any data that you send us. We alone can decrypt that data. This is a form of public key/private key encryption, a topic on which countless Ph.D. theses have been written."

The point here is it isn't brain surgery, yet it adds up to an electronic commerce site for bookselling that is close to state-of-the-art. *bylines* isn't waiting for new technologies for micropayments to develop. It's taking widelyaccepted existing technology – Secure Sockets Layer and its digital certificates - and combining them with old familiar credit card payment systems to create a micropayment capability that allows them to sell books and articles to a specific audience at a price point that the Internet's mass audience should find comfortable. Since they're willing to allow the purchases to accumulate against the credit cards registered, they can, to some extent, control cost of sales, without having to look at implementing other electronic payment systems like e-cash or digicash.



Web2i ranks the top 100 sites by number of hits.

Paul Saffo, director of the Institute for the Future in Silicon Valley, calls *bylines* "innovation in the grand tradition of innovation in publishing. By reducing distribution costs to zero, one can have a direct relationship to the reader." That's the same direct relationship to the reader Jeff Bezos hunts for with Amazon, but *bylines* has other altruistic goals - to keep good writing alive and well in an electronic world, and to get better writing to a larger number of

people at a more reasonable price. And Bezos is far from reducing costs to zero - he's still closely tied to the economies of traditional publishing, which means he can't let the marketplace set the price, like *bylines* can.

bylines built its pricing model, in fact, around the cost of a good cup of coffee. Franklin explains, "When we first talked about this, George Rodgers got the idea that people will probably be willing to pay as much for a good novella, for example, as they'd pay for a cup of quality coffee. Our pricing follows that mindset, the 'coffee rule,' which is how we end up selling original, writtenfor-*bylines* novellas for 99 cents."

Like the National Science Writers Association, *bylines* has technical site support from a non-profit professional organization, the IRE (Investigative Reporters and Editors) at the University of Missouri, which invested about \$3,000 to set up the site, and also donated "hundreds of hours of staff time." Landau and NewsEngin have also donated substantial time to keep the project going. IRE, whose director, Brant Houston, calls *bylines* "more of a mission to help writers and journalists than a business," will collect 10 percent of sales. Credit card fees will take another 2.5 percent, so, since the writer gets 60 percent, *bylines* will be capitalized by the remaining 27.5 percent.

For future revenues, *bylines* may accept advertising on the site, but have no specific plans for that as yet. For now, Landau says, "There are a variety of models for online advertising and how it's billed. I suspect we'll cross this bridge when someone drives up to the toll booth, but no sooner."

For many reasons, *bylines* may become a better model than Amazon.com of where bookselling on the Web is eventually headed, because *bylines* not only does what Amazon does - uses the power of the Web to simplify finding and ordering information - it embodies all the points about Web-based bookselling that NASW exemplifies by incorporating the positive economics of on-demand publishing, and adds some key factors of its own:

1. The content is exclusive. *bylines* articles are written specifically for the site, and are available nowhere else (not even through Amazon.com).
2. Products are aimed at an identifiable audience, but, thanks to *bylines*' micropayment capability, priced for the mass market that the Internet opens up.
3. *bylines* is open to change from any sector, ready to try advertising if that works out, to experiment with micropayments, to look at subscription pricing for some content. Unlike Amazon, it isn't tied in any way to the economics of an existing industry. On the other hand, it sees no reason to block such connections. For example, they support a listserv discussion group for literary nonfiction writers, students, and teachers called the "WriterL Reading List and OldTyme Paper and Ink Bazaar" [<http://www.bylines.org/bylines/bylines.nsf/notices/WriterL:+The+Community>]. Recently the WriterL Reading List partnered with Amazon.com to provide books recommended and discussed on the list, as well as books written by members, in a "bookstore" feature.
4. The Internet "community" philosophy underpins the whole enterprise, writers supply content, IRE supplies er, scope, audience, timeliness, accessibility), and all languages (the project was not restricted to English language materials). Library of Congress subject headings and Z39.50 standards were used to develop the database, which also required using off-the-shelf software.

Database producers can generate catalogs of quality Internet reference collections, including search tools and "cookbooks" by using the Information International Associates' model. They have made 20 research reports of observations and anomalies available.

The Internet vs. "Real" Databases With paid advertising widespread on the Internet, many Web sites featuring reliable content offer free services paid for by these revenues. Producers are not certain that professional searchers would accept Internet pricing models on commercial systems, i.e., display ads and pay-per-view fees. Ads clearly designated, appropriate, and non-intrusive might not raise any searcher objections, however. On the other hand, though advertising can capture one's imagination and even answer a question, loading graphics can prove time-consuming and frustrating for the busy searcher who prefers quick movement through the search process. Librarian searchers employed by companies using highspeed network connections may not feel the same time pressures as less fortunate searchers using slower connections.

One option for advertising-supported commercial databases is for the producers to reward the searcher whenever

they click on an icon to view an ad. Ads could display as the searcher waits for results. Each click of an ad could represent a discount on the cost of the search. Small ads are preferable to full-screen ads. Searchers tend to "battle" the computer, thinking several steps ahead as results are being processed. Full-screen ads would annoy searchers concentrating on search interaction and feedback. Online users generally agree that advertising should not be "pushed" prior to entering search terms and should display along the top or side of a screen. Database producers might consider how humans visualize information. They must balance visually attractive presentation with the speed of search result transmission and user absorption of those results.

A major problem for database producers in converting their files to the Internet is the lack of control over how the end product will look. Translating print text to Web text does not always work. Web front-end designers are early adapters, employing the latest software functions and versions. Online users do not upgrade to the most current browser software. Producers need to test many browsers and browser versions so that pages look uniform regardless of the browser being used by the searcher.

Online providers and professional searchers face challenges as they organize and retrieve the world's information. To any individual who owns a computer and to the desktops of millions of workers, the Internet has accommodated the insatiable demand for information access. Rather than feeling threatened by this technology, producers should take advantage of new opportunities to leverage the quality and value-added features of their databases. The merger of commercial database expertise with Internet technology and accessibility is certain to enrich and simplify the end user's expectations.

[Author Affiliation]

by Lysbeth B. Chuck Senior Partner CQ&A

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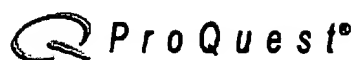
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Virtually wonderful Now you can shop for books from the comfort of your computer keyboard; [Cook/DuPage/Fox Valley/Lake Edition]

Melissa Knopper Daily Herald Staff Writer. Daily Herald. Arlington Heights, Ill.: Mar 6, 1998. pg. 30

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Abstract (Document Summary)

More and more book lovers are turning to online bookstores, such as **Amazon.com**, to satisfy their literary cravings. These bookstores can offer every book in print. **Amazon**, which carries 2.5 million titles, calls itself "Earth's Biggest Bookstore."

Also, **Amazon** offers discounts on most titles, from 20 to 40 percent. This month's Oprah Book Club selection, "Paradise," by Toni Morrison, normally sells for \$25, but it's \$15 on **Amazon's** Web site - 40 percent less.

Amazon's growth was so explosive that Barnes and Noble executives decided to cash in on the trend. They launched an online book emporium in July, with many of the same features as the **Amazon** site, plus a few more.

Full Text (1600 words)*Copyright Paddock Publications Mar 6, 1998*

Book lovers love a well-stocked bookstore. The sight of shelves groaning under the weight of **books** sets an avid reader's heart aflutter; the feel of a glossy coffee-table book provides an almost sensuous experience.

Add to that the smell of coffee and a few cozy chairs, and a bookstore becomes an irresistible haven from the bustle of daily life.

But wait a minute. What if you live miles from an inviting book emporium? What if you no longer have the time to sit in a cushy chair and sip cappuccino? What if you don't want to venture out into Chicago's schizoid weather?

No problem. Simply brew your own cup of coffee, fire up your computer and push open the doors of a virtual

bookstore. If you love **books**, you'll be there for hours, and you can have a pile of tantalizing new **books** on your doorstep the next day.

More and more book lovers are turning to online bookstores, such as **Amazon.com**, to satisfy their literary cravings. These bookstores can offer every book in print. **Amazon**, which carries 2.5 million titles, calls itself "Earth's Biggest Bookstore."

In addition, the "store" is open 24 hours a day, 365 days a year.

Also, **Amazon** offers discounts on most titles, from 20 to 40 percent. This month's Oprah Book Club selection, "Paradise," by Toni Morrison, normally sells for \$25, but it's \$15 on **Amazon's** Web site - 40 percent less.

And the online bookstore offers instant access to publications like The ①New York Times book review, biographical information about authors and book club reading lists.

Not surprisingly, business is booming at **Amazon**. In the past year, the company watched net sales jump from \$15.7 million in 1996 to \$148 million in 1997 - a nearly tenfold growth in 12 months!

Amazon's growth was so explosive that ①Barnes and Noble executives decided to cash in on the trend. They launched an online book emporium in July, with many of the same features as the **Amazon** site, plus a few more.

Borders, another major bookstore chain, plans to unveil its Web site this spring.

Since virtual bookstores don't have to keep a vast selection of **books** on their shelves, they have less overhead. **Amazon** keeps some **books** in stock at a Seattle **warehouse**, but also arranges with publishers to **ship** the **books** as they need them.

By keeping costs down, online retailers can pass the savings on to customers. The discounts are attractive, but since **Amazon** charges for shipping (the fees range from \$3 for standard delivery to \$8 for overnight air), it makes more sense to buy **books** in bulk.

The online bookstore craze also is catching on because it's so convenient.

Amazon spokeswoman Beth Garson said her company racked up thousands of sales last year as more people bought **books** for everyone on their holiday shopping list. Instead of battling crowds at the mall, online shoppers, with the click of a computer mouse, can have the UPS driver **deliver**.

At first, naysayers predicted ①Barnes and Noble would put its own bookstores out of business with its new Web venture. But financial experts say the Web site actually is drawing more shoppers to the stores.

"This has created an explosion of interest in **books**," ①Barnes and Noble spokeswoman Elisa Klosterman said.

Michael Rende, a manager at the ①Barnes and Noble on Golf Road in Schaumburg, said customers seem to use both the Web and retail stores when they shop.

"There's a lot of crossover," he said. "I've seen people come in with actual lists of **books** they've taken off the Internet."

For people with specific hobbies and interests, it can be frustrating to wander through the aisles of a huge superstore to look for an obscure volume on antique cookie jars or model train sets.

Online bookstores have browsing features that let customers check out mysteries, cookbooks, biographies, hobbies and other subjects.

"A lot of people use it as a tool," Rende said. "They do their research first and then when they come in, they're more educated about what they're looking for."

Demographics experts say women using online book shops like **Amazon** the most.

①**Barnes and Noble** marketing people kept that in mind when they went online. The company's Web site features a special category with lists of wedding **books**, for example.

"Women are the majority of retail decision-makers," Klosterman said. "They are the people who do most of the shopping."

Both ①**Barnes and Noble** and **Amazon** set out to make their Web sites interactive. Online customers can write their own book reviews, chat with authors and learn how to start a book club.

"We try to bring a sense of community to the site," **Amazon's** Garson said. Virtual bookstores like ①**Barnes and Noble** and **Amazon** make it easy to buy **books** with the click of the mouse. But it turns out these Web sites offer plenty of other things for bookworms to do. Here's a sample of some of the book-related Web sites and activities we found on the Internet:

- Melissa Knopper

At **Amazon** and ①**Barnes and Noble**

(www.amazon.com)

(www.barnesandnoble.com)

- Preference matching: Say you just finished an amazing novel and you're hungry for more good reading, but you're drawing a blank. Plug in your favorite authors and these Web sites will recommend a group of new but similar **books** you probably would enjoy.

- Read reviews: Find out what tops the best seller lists or browse through the ①**New York Times** book review. Both of these Web sites have book reviews reprinted from dozens of book-related journals and magazines.

- Make your own book review: Both sites have a spot where you can log on and voice your opinion about a real stinker or something you absolutely could not put down.

- Get gift help: Looking for a birthday gift for curmudgeonly Uncle Bill, the man who has everything? These Web sites will help you figure it out with a personalized gift-matching service. Once you choose a book to send, they even show you a digital sample of different gift wrap styles. At **Amazon**, you can choose between hearts, sunflowers and an old-fashioned map pattern.

At **Amazon**

(www.amazon.com)

- Preorder bestsellers: If you're obsessed with a certain author, say John Grisham, and you want his new novel as soon as it comes out, **Amazon** will pre-order it for you. When hits the market, you're first in line to receive it.

- Book group help: **Amazon** offers everything they need: suggested reading lists, tips on how to start a book group, author biographies, historical background and sample questions that will spark lively debates.

- Shop for kids: Moms and grandparents will love this feature: type in a child's age and sex and the computer will reel off a list of **books** that will appeal to kids in that age group.

- Read the winners: For picky types, **Amazon** has a section on its Web site that lists recent award winners, from the Newberry Award to the Pulitzer Prize for fiction.

At ①**Barnes and Noble**

(www.barnesandnoble.com)

- A brush with fame: Like rock stars, authors have groupies. At www.barnesandnoble.com, fans can participate in live online chats with writers. A different author participates in these salon-style programs each night. Check the Web site for a schedule.

- Cyber chat: Eventually, [Barnes and Noble](http://www.barnesandnoble.com) plans to offer online book clubs. Once this is up and running, readers from all over the world will be able to talk with each other in cyberspace chat rooms.

- Plan the big day: Since [Barnes and Noble](http://www.barnesandnoble.com) is targeting women as a key group of customers, its Web site includes a special section on wedding **books**. Readers can ask the authors for advice about everything from dresses, cakes and catering to tricky etiquette dilemmas.

- Browse Disney: The Web site includes a special section called the Disney emporium for children's **books**.

- Make a difference: [Barnes and Noble](http://www.barnesandnoble.com) agreed to donate a portion of sales from certain **books** to nonprofit groups like UNICEF, CARE and the New York Public Library.

Other sources

A handful of other online companies specialize in searching for rare, out of print, or otherwise hard to find used **books**. A few to try:

- www.interloc.com

- www.bibliofind.com

- www.abebooks.com

Credit card safeguards

Since **Amazon** founder Jeff Bezos launched the first online bookstore in 1994, thousands of people have used the service to buy **books** over the Internet.

"With all of our 1.5 million customers, we've never had any problems," **Amazon** spokeswoman Beth Garson said.

Online shopping is taking off like never before, said Internet retailing expert Lauren Daniel-Falk, but many people are still scared to use their credit card on the Web.

Despite these fears, Garson said, "It's actually safer than giving your credit card to someone at a department store or a restaurant."

To make sure customers feel safe, the two largest online booksellers, [Barnes and Noble](http://www.barnesandnoble.com) and **Amazon**, use a high-tech security system called encryption.

It's adapted from military communications equipment that jams signals so the enemy can't listen to sensitive information.

Basically, the computer takes a customer's credit-card number and translates it into a secret code before it goes out across computer lines.

"It scrambles the number so only the people at that company can decipher it and read it," said Falk, who works for the Milwaukee-based Center for Retailing in Today's World.

For those who are still slow to trust this technology, there's always snail mail.

"If you're still uncomfortable," Garson said, "you can phone in your credit-card number, fax it in or send us a check."

- Melissa Knopper

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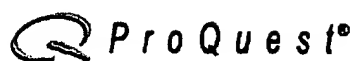
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BusinessWeek

Virtual Bookstores Start to Get Real; The ``sell all, carry few'' strategy won't work forever

Anthony Bianco in New York. **Business Week**. New York: October 27, 1997., Iss. 3550; pg. 146

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Abstract (Document Summary)

Amazon.com, the leading Internet bookseller, obtains a staggering 60% of all the books it sells through [Ingram Book Group](#), the largest US book wholesaler. Competition among the retailers escalated earlier this year when [Barnes & Noble Inc.](#) opened its own online bookshop, sparking a fierce price war in an industry where profits have been scarce. That kind of pressure has led many Internet booksellers to search for cheaper ways to get books into their customers' hands. [Ingram's](#) customers have to pay the wholesale mark-up, which amounts to a couple of percentage points above the price of a book purchased directly from a publisher. These added expanses weigh heavily in a low-margin business. To lessen its dependence on [Ingram](#), Amazon plans to do more of its own distribution. Lee Synnot of [Ingram Book](#) seems unperturbed by Amazon's plans to self-distribute. He expects any loss of volume to be more than offset by [Ingram's](#) increasing business with other online vendors.

Full Text (1494 words)

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[Photograph]

Photograph: AMAZON'S BEZOS: Logistics are the online bookseller's biggest challenge
 REX RYSTEDT

①Amazon.com, the leading Internet bookseller, bills itself as "Earth's Biggest Bookstore" because it offers a selection of 2.5 million books. But behind the marketing hype lies this reality: ①Amazon.com stocks just a couple thousand titles in its Seattle warehouse—far fewer than the inventory maintained by the average superstore—and fills only an estimated 5% of its orders itself.

The secret of Amazon's success in building a business on this "sell all, carry few" strategy is a company that few of its customers even know exists: ①Ingram Book Group, the largest U.S. book wholesaler, with revenues of \$1.5 billion. Amazon works with a dozen wholesalers but obtains a staggering 60% of all the books it sells through Ingram, which runs seven warehouses strategically situated around the country. There are dozens of other Internet booksellers now, and Ingram does business with all of them. The Nashville-based wholesaler, in short, is the most pervasive force in Internet bookselling today.

But to maintain that position, ①Ingram is having to adapt. Competition among the retailers escalated earlier this year when ①Barnes & Noble Inc. opened its own online bookshop, sparking a fierce price war in an industry in which profits have been scarce. B&N, for example, announced on Oct. 14 that it expects to lose nearly \$7 million on its online venture this year. That kind of pressure has led many Internet booksellers to search with born-again urgency for cheaper ways to get books into their customers' hands.

By all accounts, ①Ingram is a paragon of operational efficiency. It stocks nearly 500,000 titles—the largest inventory of books in the trade. The company ships virtually all orders the day they are received. About 85% of shipments arrive at retailers' loading docks within 24 hours and 95% within 48 hours. But ①Ingram's prowess does not come cheap. Its customers—be they online booksellers or old-fashioned stores—have to pay the wholesale mark-up, which amounts to a couple of percentage points above the price of a book purchased directly from a publisher. Online vendors also incur considerable costs in repackaging and shipping books to their own customers.

DEEPER SHELVES. These added expenses weigh heavily in a low-margin business, negating the one major cost advantage intrinsic to the virtual bookshop: minimal investment in bricks and mortar. "The logistics of distribution are the iceberg below the waterline of online bookselling," says Jeff Bezos, founder and chief executive of ①Amazon.com, which lost \$9.7 million on revenues of \$43.9 million in the first half of 1997 alone.

To lessen its dependence on ①Ingram, Amazon plans to do more of its own distribution. In early September, it announced it would enlarge its Seattle warehouse by 70% and lease a new one under construction in New Castle, Del. The result will be a sixfold increase in Amazon's warehouse capacity. According to Bezos, this expansion will enable the company to stock 200,000 to 300,000 titles and to buy the bulk of its books direct from publishers. To help implement its new distribution system, Amazon recently hired Richard Dalzell, a logistics whiz, from ①Wal-Mart Stores Inc.

Bezos says that 80% of the company's investment in software development since its founding in 1994 has been not in its famously user-friendly screens but on back-office logistics. Even so, Amazon's warehouse plan is a quantum leap into the real world. The company's sales now are running at a rate of more than \$100 million a year and are still rising rapidly. But the company will have to triple its volume at a minimum, by Bezos' own estimate, to support the cost of its vastly expanded book inventories.

"DROP-SHIPPING." Lee Synnott, vice-chairman of ①Ingram Book, seems unperturbed by Amazon's plans to self-distribute. He expects any loss of volume to be more than offset by ①Ingram's increasing business with other online vendors. Although online sales will probably account for no more than \$250 million of the \$20 billion in total U.S. book sales in 1997, they have been rising at a double-digit clip month after month. "This market is growing very rapidly, and I see no reason why that won't continue for a long time," Synnott says. "Books are being sold over the Internet to people who don't even go into bookstores."

Although Bezos doesn't like to admit it, Amazon is emulating its new archrival, ①Barnes & Noble. Like Amazon, the superstore colossus is an important customer of ①Ingram Book. However, over the last few years B&N has been gradually scaling back its purchases from wholesalers and increasingly buying direct from publishers. "The cost advantages of self-distribution are tremendous," says Stephen Riggio, chief operating officer of ①Barnes & Noble. According to Riggio, 40% of the books B&N sells are supplied by the company's mammoth distribution complex in New Jersey. "The plan is to get to 50% in 12 months," he says.

As ①Ingram's largest customers infringe on its turf with plans to build their own distribution, it is moving in the opposite direction by edging closer to retailing. Synnott is readying a new "drop-shipping" service designed both to

slash online booksellers' operating costs and to make them even more dependent on ①Ingram Book. Beginning early next year, ①Ingram's customers will be given a choice: Either continue receiving bulk shipments of books themselves or authorize the wholesaler to ship orders directly to consumers. Online retailers will pay more per book to drop-ship, but not nearly as much as they now spend to repack and reship. Drop-shipping also will speed delivery to consumers by a day or two at a minimum.

Among the online retailers that already have signed on is Amazon, which plans to work both with ①Ingram and the No.2 distributor, Baker & Taylor Books, to drop-ship books it doesn't stock itself. Bezos predicts that by augmenting its expanded warehouse capability with the artful use of drop-shipping Amazon will be able to fill 95% of orders for in-print books on the day they're received.

Shipping vast numbers of books one by one is not nearly as simple as it sounds and Amazon won't even begin drop-shipping until its new warehouse is fully functioning. "There are huge efficiencies to be gained through drop-shipping, but they are paid for by increased complexity in sorting," Bezos says. "Your partner [the distributor] has to be very adept, because if it is done wrong you can really mess up your customer service." ①Ingram has long been the most innovative force in book wholesaling, but in this instance it is likely to be beaten to market by Baker & Taylor, which is planning to introduce its own drop-shipping service by the end of October.

One reason for ①Ingram's lag was a rare stumble earlier this year, when it began testing a service to create new online book retailers. All the would-be retailer had to do was lure the shoppers. ①Ingram handled everything else, from maintaining the Web site to taking orders, processing credit-card billings, and shipping the books. In effect, the virtual bookshop became little more than a retail facade of ①Ingram. However, after six months of test-marketing, ①Ingram quietly pulled the plug in early October. The company's Web-hosting experiment foundered in part because many of the new vendors were simply unable to attract customers to their Web sites. But the venture also stirred a backlash among ①Ingram's existing clientele, who did not welcome the prospect of having to compete with a swarm of no-cost clones.

STAYING ADAPTABLE. So ①Ingram now intends to concentrate on providing even better service to its existing customers. It plans to continue adding to its inventories and fine-tuning the book-moving machinery that has made it indispensable to retailers for more than two decades. "As long as ①Ingram remains the most efficient supplier of the largest number of titles, they win," says Mike Shatzkin, an industry consultant. "It's like a funnel running to a drain: One way or another, the business will flow to them."

①Ingram's adaptability is no less an ingredient of its success. By striving, above all, to make itself useful to its customers, it has continuously managed to come out ahead—even as the book industry has undergone one upheaval after another. The evolution of online bookselling is likely to be another case in point.

By the Book

STRATEGIES OF THE ONLINE PLAYERS

DISTRIBUTORS

①INGRAM BOOK GROUP Far and away the leading supplier to online retailers. Though it recently dropped plans to handle Web site maintenance and order-taking for clients, it will soon begin shipping direct to consumers in the retailer's name.

BAKER & TAYLOR BOOKS Usually eats ①Ingram's dust, but the No. 2 wholesaler may beat its arch-rival in introducing direct-to-consumer shipping.

RETAILERS

①BARNES & NOBLE Operates its own giant distribution system, giving it a cost advantage over other online booksellers.

AMAZON Plans to reduce its dependence on ①Ingram by increasing warehouse capacity. It will boost its book inventories a hundredfold, while continuing to use both ①Ingram and Baker & Taylor to ship to its customers.